

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Component Unit of Benzie County

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Benzie/Leelanau District Health Department</b>	County <b>Benzie</b>
Audit Date <b>9/30/05</b>	Opinion Date <b>12/14/05</b>	Date Accountant Report Submitted to State: <b>3/27/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Company, PLC</b>			
Street Address <b>16978 S. Riley Avenue</b>	City <b>Kincheloe</b>	State <b>MI</b>	ZIP <b>47988</b>
Accountant Signature <i>Anderson Tackman &amp; Co PLC</i>		Date <b>3/27/06</b>	

**BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT**

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BASIC FINANCIAL STATEMENTS

September 30, 2005

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
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**MEMBER MACPA**

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**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Health  
Benzie/Leelanau District Health Department  
Benzonia, Michigan 49616

We have audited the accompanying financial statements of the governmental activities and the major fund of the Benzie/Leelanau District Health Department (a component unit of Benzie County, Michigan), as of and for the year ended September 30, 2005, which collectively comprise the Health Department's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Health Department's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Benzie/Leelanau District Health Department, as of September 30, 2005, and the respective changes in financial position where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2005 on our consideration of the Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* and budgetary comparison information as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Benzie/Leelanau District Health Department's basic financial statements. The individual departmental statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual departmental statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

December 14, 2005

## **Management's Discussion and Analysis**

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This section of the Health Department's annual financial report presents our discussion and analysis of the Health Department's financial performance during the fiscal year ended September 30, 2005. Please read it in conjunction with the Health Department's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

The Health Department saw many shifts in funding priorities during fiscal year 2005, but was able to weather them without significant problem. The Federal Office of Homeland Security provided continued funding through the State of Michigan to continue the program of Public Health Emergency Preparedness. The money received from this program will continue to enhance the Health Department's infrastructure as outlined in the Emergency Response Plan to be used in the event of a public health emergency. Funding for this program is expected to decrease with the next fiscal year.

With the State's current budget crisis, the Health Department expects a reduction in the funding from MDCH. This will result in scaling back services impacted by the reduced funding. Funding through LPHO has been reduced for the next fiscal year with some hope of funding returning in future fiscal years. Reduction in the funding used for the hearing and vision programs has resulted in a reduction of services to schools. Local funding has been used to make up a portion of the revenue for those State required programs. If funding is not restored to previous full funding status, further reductions will be seen in the schools for hearing and vision services.

Local appropriation dollars from Benzie and Leelanau counties is also questionable. Both counties are experiencing financial challenges and the Health Department may not receive future increases as it has in the past.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

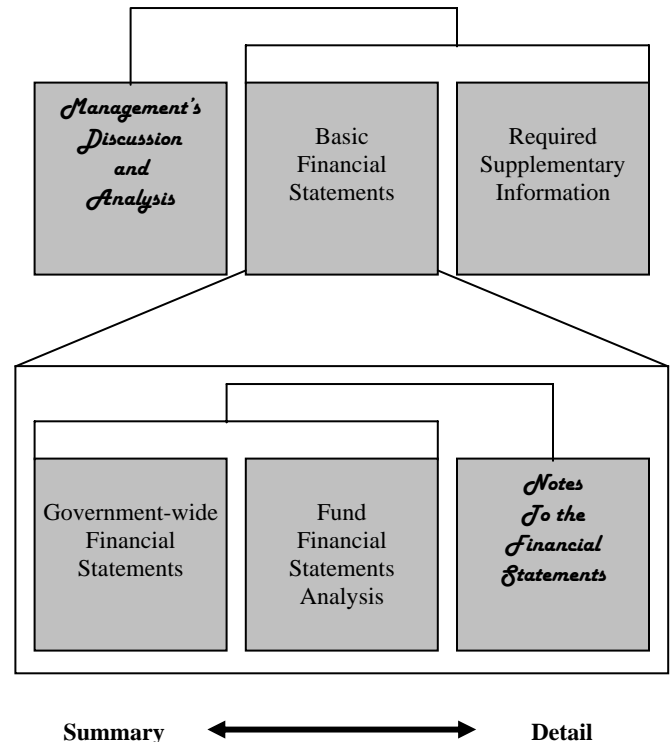
This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Health Department.



**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Figure A-1  
Required Components of the  
Health Department's Annual Financial Report**

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Health Department's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Health Department's operations, reporting the Health Department's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how government services like Public and Environmental Health were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with individual statements that provide details about our individual divisions of the Health Department each of which are added together and presented in single columns in the basic financial statements. Figure A-2 summarizes the major features of the Health Department's financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Figure A-2  
Major Features of Health Department's Government-wide and Fund Financial Statements**

	<u>Government-wide Statements</u>	<u>Fund Statements Governmental Funds</u>
Scope	Entire Health Department government (except fiduciary funds) and the Health Department's component units	The activities of the Health Department that are not proprietary or fiduciary, such as Health and Welfare
Required financial	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

**Government-wide Statements**

The government-wide statements report information about the Health Department as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

The two government-wide statements report the Health Department's net assets and how they have changed. Net assets – the difference between the Health Department's assets and liabilities – is one way to measure the Health Department's financial health, or position.

- Over time, increases or decreases in the Health Department's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Health Department you need to consider additional nonfinancial factors such as changes in the federal and state funding and the condition of the economy.

The government-wide financial statements of the Health Department are:

- Governmental activities – Most of the Health Department's basic services are included here, such as Public Health, and Environmental Health programs.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Health Department's most significant funds-not the Health Department as a whole. Funds are accounting devices that the Health Department uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Benzie/Leelanau District Health Department Board establishes other funds to control and manage money for particular purposes.
- Governmental funds – All of the Health Department's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health Department's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

**FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT AS A WHOLE**

**Total assets.** The Health Department's combined assets increased by 10% between fiscal years 2004 and the year ended 2005 to \$531,977. (See Table A-1.) The greatest increase was in cash.

Table A-1  
Health Department's Net Assets

	Governmental Activities 2004	Governmental Activities 2005	Percentage Change
Current and other assets	\$ 463,442	\$ 497,683	7 %
Capital assets	17,994	34,294	91 %
<b>Total assets</b>	<b>481,436</b>	<b>531,977</b>	<b>10 %</b>
Current liabilities	68,051	60,430	(11)%
Long-term debt outstanding	37,912	42,717	13 %
<b>Total liabilities</b>	<b>105,963</b>	<b>103,147</b>	<b>(3)%</b>
Net assets			
Invested in capital asset, net of related debt	17,994	34,294	91 %
Unrestricted	357,479	394,536	10 %
<b>Total net assets</b>	<b>\$ 375,473</b>	<b>\$ 428,830</b>	<b>14 %</b>

Net assets of the Health Department's governmental activities increased 14 percent to \$428,830. However, only \$394,536 of assets are not restricted as to the purposes for which they can be used. The remaining \$34,294 are invested in capital assets.

**Changes in net assets.** The Health Department's total revenues increased by 7.8 percent to \$1,819,926. (See Table A-2.) A majority of the Health Department's revenue (46%) comes from federal and state funding.

The total cost of all primary activities increased 6.37 percent. The Health Department's expenses cover salaries, fringes, supplies, debt payments, and other expenses.

Table A-2 and the narrative that follows consider the operations of governmental-type activities.

### Governmental Activities

Revenues for the Health Department's governmental activities increased 7.8%, while total expenses increased 6.37% in 2005.

Table A-2  
Changes in Health Department's Net Assets

	Governmental Activities 2004	Governmental Activities 2005	Percentage Change
<b>Program Revenue</b>			
Fees and Collections	\$ 607,530	\$ 590,243	(3)%
Federal Sources	402,134	501,765	25%
State Sources	469,053	338,378	(28)%
Local Sources	57,747	62,132	7.5 %
Rents	-	226,578	100 %
Contracts and Reimbursements	151,458	100,830	(33)%
<b>Total Program Revenues</b>	<b><u>1,687,922</u></b>	<b><u>1,819,926</u></b>	<b><u>7.8 %</u></b>
<b>Program Expenses</b>			
Health and Welfare	<u>2,025,925</u>	<u>2,154,961</u>	<u>6.37 %</u>
<b>Total Program Expenses</b>	<b><u>2,025,925</u></b>	<b><u>2,154,961</u></b>	<b><u>6.37 %</u></b>
<b>Net Program Expenses</b>	<b><u>\$ (338,003)</u></b>	<b><u>\$ (335,035)</u></b>	<b><u>.08 %</u></b>
<b>General Revenue</b>			
County Appropriations	368,398	383,088	4 %
Interest	<u>2,388</u>	<u>5,304</u>	<u>122 %</u>
<b>Total General Revenues</b>	<b><u>370,786</u></b>	<b><u>388,392</u></b>	<b><u>4.7 %</u></b>
<b>Increase (decrease) in net assets</b>	<b><u>\$ 32,783</u></b>	<b><u>\$ 53,357</u></b>	<b><u>63 %</u></b>

### FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT'S FUNDS

As the Health Department completed the year, its governmental funds reported a fund balance of \$394,536 a 10% increase in fund balance. The primary reason for the increase in fund balance is highlighted in the financial analysis of the Health Department.

**Governmental Fund Revenues and Expenditures**

Operating revenues for the Health Department increased by 8% and operating expenditures for the Health Department's governmental funds increased 6.23%.

Table A-3  
Changes in Health Department's Fund Balance

	Governmental General Operating Fund <u>2004</u>	Governmental General Operating Fund <u>2005</u>	Percentage Change <u></u>
<b>Revenues</b>			
Fees and Collections	\$ 607,530	\$ 590,243	(3)%
Federal Funding	402,134	501,765	25%
State Sources	469,053	338,378	(29)%
Local Sources	57,747	62,132	7.5 %
Interest	2,388	5,304	122 %
Rents	-	226,578	100 %
Contracts and Reimbursements	151,458	100,830	(33)%
<b>Total Revenues</b>	<b><u>1,690,310</u></b>	<b><u>1,825,230</u></b>	<b><u>8 %</u></b>
<b>Expenditures</b>			
Health and Welfare	<u>2,043,919</u>	<u>2,171,261</u>	<u>6.23 %</u>
<b>Total Expenditures</b>	<b><u>2,043,919</u></b>	<b><u>2,171,261</u></b>	<b><u>6.23 %</u></b>
Excess of Revenues Over (Under) Expenditures	(353,609)	(346,031)	(2)%
County Appropriations	<u>368,398</u>	<u>383,088</u>	<u>4 %</u>
Excess Revenues and Other Financial Sources Over Expenditures	<u>\$ 14,789</u>	<u>\$ 37,057</u>	<u>150%</u>

## **CAPITAL ASSETS**

At the end of 2005, the Health Department had invested \$34,294 in capital assets, including furniture & equipment. (See Table A-4.) This amount presents a net increase (including additions and deductions) of \$16,300 or 91 percent, over last year.

Table A-4  
Health Department's Capital Assets  
(*net of depreciation*)

	Governmental Activities		Total Percentage Change 2004-2005
	2004	2005	
Equipment and furniture	\$ 17,994	\$ 34,294	91%
<b>Totals</b>	<b>\$ 17,994</b>	<b>\$ 34,294</b>	<b>91%</b>

The principle change in capital assets consists mainly of fixed asset purchase of \$19,743. More detailed information about the Health Department's capital assets is presented in Note F to the financial statements.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Difference between the original and final amended budgets for revenue (revenue and other financing sources) resulted in fees and collections higher than expected.

Differences between the original and final amended budgets for expenditures resulted in an increase. The largest increases were under supplies and space costs.

Overall during the year, general fund revenues (revenue and other financing sources) were over budgetary estimates. The most significant variances resulted from rent revenues not budgeted and the value of vaccines not budgeted. Expenditures (expenditures and other financing uses), were also over budgetary estimates. The most significant variance resulted from expenditures for rent, vaccines, and capital outlay. In the future, building costs and the value of vaccines, will be included within the budget of the Health Department.

All of these factors combined resulted in a higher than projected increase to the fund balance.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In adopting the general fund budget for fiscal year 2006, the Health Department considered the budgetary problems within the State of Michigan and their likely effects on grant funding, revenue sharing to the County and Medicaid payment rates.

**CONTACTING THE HEALTH DEPARTMENT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, and investors and creditors with a general overview of the Health Department's finances and to demonstrate the Health Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Benzie/Leelanau District Health Department in 6051 Frankfort Highway, Suite 100, Benzonia, MI 49616.



## **Basic Financial Statements**

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**Benzie/Leelanau District Health Department****Statement of Net Assets  
September 30, 2005**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current Assets:	
Cash & Equivalents	
Unrestricted	\$ 280,303
Accounts Receivable (net)	14,424
Due From Other Governments	8,420
Due From State	150,669
Prepaid Expenses	<u>43,867</u>
Total Current Assets	<u>497,683</u>
Noncurrent Assets:	
Capital Assets (net of accumulated depreciation): (Note F)	
Equipment	<u>34,294</u>
Total Assets	<u><u>\$ 531,977</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	\$ 22,228
Accrued Payroll and Related Liabilities	32,385
Deferred Revenue	<u>5,817</u>
Total Current Liabilities	<u>60,430</u>
Non-current Liabilities:	
Compensated Absences	<u>42,717</u>
Total Liabilities	<u>103,147</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, net of related debt	34,294
Unrestricted	<u>394,536</u>
Total Net Assets	<u>428,830</u>
Total Liabilities and Net Assets	<u><u>\$ 531,977</u></u>

**Benzie/Leelanau District Health Department****Statement of Activities  
For the Year Ended September 30, 2005****Program Expenses**

Health & Welfare	\$ 2,154,961
Total Program Expenses	2,154,961

**Program Revenues**

Fees & Collections	590,243
Federal Sources	501,765
State Sources	338,378
Local Sources	62,132
Rents	226,578
Contracts & Reimbursements	100,830
Total Program Revenues	1,819,926

**General Revenue**

County Appropriations	383,088
Interest	5,304
Total General Revenue	388,392

Change in Net Assets	53,357
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**Net Assets**

Beginning of Year	375,473
End of Year	\$ 428,830

**Benzie/Leelanau District Health Department****Balance Sheet**  
**September 30, 2005****ASSETS**

Cash and Equivalents - Unrestricted	\$ 280,303
Accounts Receivable	14,424
Due From Other Governmental Units	8,420
Due From State	150,669
Prepaid Expenditures	<u>43,867</u>
Total Assets	<u><u>\$ 497,683</u></u>

**LIABILITIES AND FUND EQUITY**

## Liabilities

Accounts Payable	\$ 22,228
Accrued Liabilities	32,385
Deferred Revenues	5,817
Compensated Absences	<u>42,717</u>
Total Liabilities	<u>103,147</u>

## Fund Equities

Fund Balance	
Unreserved	
Undesignated	<u>394,536</u>
Total Fund Equities	<u>394,536</u>
Total Liabilities and Fund Equities	<u><u>\$ 497,683</u></u>

## **Benzie/Leelanau District Health Department**

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### **Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets For the Year Ended September 30, 2005**

Total Governmental Fund Balance	\$ 394,536
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>34,294</u>
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Net Assets of Governmental Activities	<u>\$ 428,830</u>
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**Benzie/Leelanau District Health Department****Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
For the Year Ended September 30, 2005**

	General Operating Fund
<b>Revenues</b>	
Fees and Collections	\$ 590,243
Federal Sources	501,765
State Sources	338,378
Local Sources	62,132
Rents	226,578
Contracts & Reimbursements	100,830
Interest	5,304
Total Revenues	1,825,230
<b>Expenditures</b>	
Health & Welfare	2,171,261
Excess Revenues (Under)/Over Expenditures	(346,031)
Other Financing Sources:	
County Appropriations	383,088
Total Other Financing Sources	383,088
Excess Revenues and Other Financing Sources Over Expenditures	37,057
Fund Balance - October 1, 2004	357,479
Fund Balance - September 30, 2005	\$ 394,536

## **Benzie/Leelanau District Health Department**

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### **Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities For the Year Ended September 30, 2005**

Net Change in Fund Balance – Total Governmental Fund \$ 37,057

Amounts reported for governmental activities in the statements are different  
because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay \$19,743 exceeded depreciation (\$3,443) in the current period.

16,300

Change in Net Assets of Governmental Activities

\$ 53,357

## **Notes to Financial Statements**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Benzie/Leelanau District Health Department, (the "Health Department") conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Health Department's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Health Department's activities.
- A change in the fund financial statements to focus on the major funds.

The Benzie/Leelanau District Health Department is a Discretely Presented Component Unit of the County of Benzie, Michigan, the purpose of which is to provide limited health services to the residents of Benzie and Leelanau counties. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues and expenditures. Each County Board appoints two members to the Health Board of which four are Commissioners and two members are from the public.

2. Basis of Presentation – Government-Wide Financial Statements – The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange are recognized in accordance with Governmental Accounting Standards Board Statement 33.

The statement of net assets and the statement of activities display information about the Health Department as a whole. The statements include all funds of the Department.

The statement of net assets and the statement of activities are presented to distinguish between governmental and business-type activities of the Health Department. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are reported in governmental funds. Business-type activities are financed by fees charged to external parties for goods or services. The Health Department does not have business-type activities.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

Capital assets are reported in the government-wide statements at historical cost. Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery and equipment, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

Capital assets that are depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

The government-wide focus is more on the sustainability of the Health Department as an entity and the change in the Health Department's net assets resulting from the current year's activities.

3. Basic Financial Statements – Fund Financial Statements – The financial transactions of the Health Department are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Health Department:

**Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Health Department.

The General fund is the operating fund of the Health Department. It is used to account for all financial resources except those required to be accounted for in another fund.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. The Health Department selected the General Fund as a Major Fund.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

4. Measurement Focus and Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual**

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

**Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Machinery and equipment	5 - 20 years
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**Compensated Absences**

The Health Department accrues compensatory time and vacation leave when earned by the employee. Sick leave is paid out at the end of the year if not used.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Deferred Revenue**

The Health Department reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Health Department before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**Cash and Investments**

Investments are reported at fair value, based on quoted market prices. All deposits are carried at cost.

**Prepaid Items**

Payments made to vendors for insurance and rent that will benefit future periods are recorded as prepaid items. All other payments made to vendors for services that will benefit future periods are recorded as expenditures. These payments do not have a material effect on the financial statements.

**Annual Budget**

The Health Department adopts an annual budget each year for expenditures applicable to the General Fund. The operating budget includes proposed expenditures and the means of financing them is stated on a basis consistent with U.S. generally accepted accounting principles (GAAP). Budgets lapse at fiscal year end.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B - CASH**

The balance sheet accounts and types of cash items are presented below:

Cash and equivalents - unrestricted	\$ 280,303	Petty cash	\$ 565
		Demand deposits -	
		savings and checking	<u>279,738</u>
TOTALS	<u>\$ 280,303</u>		<u>\$ 280,303</u>

**Investment and Deposit Risk**

*Interest rate risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Department's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Department's investment policy does not have specific limits in excess of state law on investment credit risk. The Department has no investments for which ratings are required.

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. State law does not require and the Department does not have a policy for deposit custodial credit risk. As of year end, \$56,925 of the Department's bank balance of \$334,001 was exposed to credit risk because it was uninsured and uncollateralized.

With respect to all the demand deposits, listed above they are held with the Benzie County Treasurer.

These deposits are in financial institutions located in Honor, Michigan and Traverse City, Michigan in varying amounts. All accounts are in the name of the Health Department and specific funds. Interest is recorded in the month in which it is earned.

**NOTE C - INVESTMENTS:****Statutory Authority**

Michigan law (Public Act 20 of 1943, as amended) authorizes the Benzie/Leelanau District Health Department to deposit and invest in one or more of the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

**NOTE C - INVESTMENTS: (Continued)**

- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- (c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in a.
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- (h) Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (EX Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- (j) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Board of Health is authorized to designate depositories for B/L DHD funds, and funds are invested in accordance with State of Michigan statutory authority.

**NOTE D - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM:**

Plan Description - Benzie/Leelanau District Health Department of Benzie/Leelanau Counties, Michigan participates in an agent multiple-employer public employee pension plan which covers four employees. Employees are covered under a B-3, F-55 plan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 447 North Canal Street, Lansing, Michigan.

**NOTE D - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM: (Continued)**

Funding Policy – The obligation to contribute and maintain the system for these employees was established by the personnel policy, currently no employee contribution is required.

Annual Pension Costs – For year ended 2005, the Health Department's annual pension cost of \$24,242 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2002, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Additional projected salary increases of up to 2.5% per year annually after retirement for persons under certain benefit packages. The actuarial value of assets determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2004 is as follows:

	2002	2003	2004
Actuarial Value of Assets	\$ 165,565	\$ 216,002	\$ 248,243
Actuarial Accrued Liability	210,537	267,400	302,388
Unfunded AAL	44,972	51,398	54,145
Funded Ratio	78%	81%	82%
Covered Payroll	212,522	169,068	173,624
UAAL as a Percentage of Covered Payroll	21%	30%	31%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 29,142	100%	0
2003	21,586	100%	0
2004	29,438	100%	0

**NOTE E - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN:**

The Benzie/Leelanau District Health Department contributes to a defined contribution retirement plan administered by the International City Management Association Retirement Corporation (ICMA), a third party acting as an investment fiduciary.

The Department contributed \$97,051 to the Plan during the year ended September 30, 2005, equal to 10% of the covered payroll.

**NOTE F - CAPITAL ASSETS:**

A summary of capital assets is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Assets being depreciated:				
Other capital assets:				
Furniture & fixtures	\$ 18,941	\$ 19,743	\$ -	\$ 38,684
Subtotal	<u>18,941</u>	<u>19,743</u>	<u>-</u>	<u>38,684</u>
Accumulated depreciation:				
Furniture & fixtures	<u>947</u>	<u>3,443</u>	<u>-</u>	<u>4,390</u>
Subtotal	<u>947</u>	<u>3,443</u>	<u>-</u>	<u>4,390</u>
Net Capital Assets	<u>\$ 17,994</u>	<u>\$ 16,300</u>	<u>\$ -</u>	<u>\$ 34,294</u>

Depreciation expense was changed to:

Health and Welfare	<u>\$ 3,443</u>
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**NOTE G - CONTINGENT LIABILITIES:**

The Benzie/Leelanau District Health Department has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Health Department. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the Health Department at September 30, 2005.

**NOTE H - ACCOUNTS RECEIVABLE:**

Accounts receivable of the Health Department by program as of September 30, 2005, is summarized as follows:

	<u>Gross Accounts Receivable 09/30/05</u>	<u>Credit Allowance</u>	<u>Net Accounts Receivable 09/30/05</u>
Public Health	\$ 47,399	\$ 32,975	\$ 14,424



**NOTE I - DUE FROM GOVERNMENTAL AGENCIES:**

Various government agencies reimburse the Health Department for services rendered or based on expenditures for public health programs.

At September 30, 2005, due from governmental agencies consists of the following:

Due from State of Michigan	\$ 150,669
Due from Benzie/Leelanau	<u>8,420</u>
TOTAL	<u>\$ 159,089</u>

**NOTE J - COMPENSATED ABSENCES:**

The Health Department has a contingent liability for accumulated vested vacation benefits and accumulated sick leave benefits of its employees. As of September 30, 2005, the accumulated vacation and sick leave benefits were \$42,717.

**Personal/Sick Leave**

PERSONAL/SICK LEAVE - On October 1st of each year regular full time employees, who have completed their probation period shall be granted seven (7) days of personal/sick leave. New employees shall receive a prorated number of days upon employment with the balance due following their probationary period.

PART-TIME EMPLOYEES – Employees working less than full-time (1.0 FTE) but more than a .79 FTE on a consistent basis are entitled to a prorated personal/sick leave benefit. For example, an employee working .8 FTE would be entitled to 5.6 days. Part-time hourly employees working less than a .80 FTE will not receive personal/sick leave benefits.

CREDIT – Advance use of future credits for sick leave are not permitted. If absence occurs due to illness and no other credits exists, the employee is absent without pay. Otherwise the employee uses compensatory time first and then annual leave to cover time off. Should there be no compensatory or annual leave credits, the employee is then absent without pay.

**Annual Leave**

FULL-TIME EMPLOYEES – All full time employees compensated on an hourly basis receive Annual Leave according to the following schedule. Employees working less than 100% but more than 79% will receive a proportionate share of annual leave. Annual leave may be accumulated with a maximum of 30 days or its equivalent in hours being paid to the employee upon separation/termination regards of the numbers of hours accumulated.

**NOTE J - COMPENSATED ABSENCES: (Continued)**

For individual employed after 10/01/96 the following annual leave schedule is used:

Years	0-2	3-4	5-9	10-14	15-19	20-24	25-29	30 above
Days	10	12	15	18	20	22	24	28 above

**PART-TIME EMPLOYEES** – Part-time employees who work less than .80 FTE do not receive annual leave credits as noted above.

**ALLOWANCE** – Annual leave is not credited for use until the employee has completed 26 weeks of paid services in the probationary period. At the end of the 26 week probationary period employees receive a credit for the hours of annual leave which were earned during this period.

**ACCRUED ANNUAL LEAVE AT SEPARATION, RETIREMENT, OR DEATH OF EMPLOYEE** – Accrued annual leave due an employee at the time of separation or retirement is paid at the same time of payment of salary for the past pay period, at the employee's current pay rate.

**NOTE K - RISK MANAGEMENT/INSURANCE:**

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Department is a member of Michigan Municipal Risk Management Authority (MMRMA) for risk of loss relating to its property and general liability except for auto.

The MMRMA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund, which provides members with loss protection for general and property liability.

The Department has joined with numerous other governmental agencies in Michigan as a participant in MMRMA's "State Pool." Members of the State Pool do not have individual self-insured retention amounts other than a \$500 deductible per occurrence of liability coverage and a \$250 deductible per occurrence of property coverage.

State Pool members' limits of coverage (per occurrence) are \$5,000,000 for liability and \$350,000 for property. If a covered loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses is the sole obligation of the Department.

The Department carries commercial insurance for all other risks of loss including auto liability, vehicle physical damage, worker's compensation, liability, and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in past fiscal years.

**NOTE L - LEASE COMMITMENTS:**

The Benzie/Leelanau District Health Department currently leases space from the Northern Health Foundation under a signed operating lease arrangement.

The Department leases office facilities under two long-term lease agreements which were refinanced during 2002 and are described below. The lease is an operating lease. However, the Leelanau building reverts to Leland Township and the Benzie building reverts to Benzie County at the end of the lease. The following schedule details future minimum lease payments based upon the leases in effect at the current fiscal year end:

<u>Year</u>	<u>Benzie</u>	<u>Leelanau</u>
2006	\$ 119,400	\$ 91,404
2007	119,400	91,404
2008	119,400	91,404
2009	119,400	91,404
2010	119,400	91,404
2011-2015	597,000	457,020
2016-2019	258,700	335,148

The Department subleases space in these buildings to various agencies. The total rent charged includes the base rent and a share of utilities and other administrative costs. The total rent received for the year ended September 30, 2005 is \$226,578 and is netted against space cost expenditures.

The following is a schedule, by year, of future minimum base sublease payments:

<u>Year</u>	<u>Benzie County</u>	<u>Leelanau County</u>
\$ 2006	\$ 94,026	\$ 27,810
2007	93,348	5,310
2008	92,020	5,310
2009	89,364	1,770
2010	89,364	-
2011-2015	446,820	-
2016-2019	230,857	-

The Health Department has entered into non-cancelable operating leases for phone and copier equipment.

	<u>Copier</u>	<u>Phone</u>
2006	\$ 5,941	\$ 9,929
2007	5,941	-
2008	2,475	-
	This lease ends 02/28/06	This lease ends 08/31/06

**NOTE M - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

The federal expenditures of the Department are included with the schedule of expenditures of federal awards of Benzie County.

**NOTE N - BUDGET VIOLATIONS:**

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries	\$ 989,577	\$ 994,163	\$ (4,586)
Supplies	122,370	205,154	(82,784)
Travel	73,600	78,378	(4,778)
Communications	28,391	42,452	(14,061)
Space Costs	155,098	308,346	(153,248)
Other Expenditures	72,823	78,441	(5,618)
Capital Outlay	10,000	40,565	(30,565)

## **Required Supplementary Information**

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# Benzie/Leelanau District Health Department

## Budgetary Comparison Schedule General Fund For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Budgetary fund balance, October 1, 2004	\$ 357,479	\$ 357,479	\$ 357,479	\$ -
Resources (inflows):				
Fees and Collections	429,627	466,872	456,360	(10,512)
Cost Based Reimbursement	131,574	125,551	100,830	(24,721)
Medicaid/Medicare Revenues	150,100	148,042	147,632	(410)
Federal Financial Participation	3,303	16,908	125,367	108,459
Other Local Funding (Dental)	-	5,147	5,147	-
State Funding (MDCH - CPBC)	373,617	403,094	420,525	17,431
Other Local/State Fees/Funding	62,600	7,279	15,740	8,461
Cigarette Tax	10,000	10,000	10,057	57
Local Funds	378,671	383,171	383,088	(83)
Type II Water Supply Grant	46,161	40,876	42,272	1,396
LPHO - DEQ & MDCH	227,814	235,740	235,762	22
Reimbursements	-	-	24,613	24,613
Interest	-	5,300	5,304	4
Rents Collected	-	-	226,578	226,578
Miscellaneous Revenues	9,986	10,224	9,043	(1,181)
Amounts available for appropriation	1,823,453	1,858,204	2,208,318	350,114
Charges to appropriation (outflows):				
Salaries	996,590	989,577	994,163	(4,586)
Fringe Benefits	372,681	348,829	345,722	3,107
Supplies and Materials	92,449	122,370	205,154	(82,784)
Consultant Services	4,000	4,360	4,828	(468)
Contractual Services	75,243	77,142	73,212	3,930
Communications	28,907	28,391	42,452	(14,061)
Travel	35,946	73,600	78,378	(4,778)
Space Costs	129,469	155,098	308,346	(153,248)
Other Expenditures	106,091	72,824	78,441	(5,617)
Capital Outlay	-	10,000	40,565	(30,565)
Total charges to appropriations	1,841,376	1,882,191	2,171,261	(289,070)
Budgetary fund balance, September 30, 2005	\$ 339,556	\$ 333,492	\$ 394,536	\$ 61,044

## **Other Supplementary Information**

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# **Benzie/Leelanau District Health Department**

## **General Fund Statement of Revenues, By Program Budget and Actual For the Year Ended September 30, 2005**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
General Administration	\$ 21,512	\$ 19,098	\$ (2,414)
Environmental Health	13,434	10,023	(3,411)
Food Service	74,577	78,937	4,360
Food Service - Revenue	56,993	54,806	(2,187)
DSS Facilities	-	860	860
Mortgage Evaluation	-	49,141	49,141
On-Site Sewage	105,923	91,681	(14,242)
On-Site Sewage - Revenue	208,232	129,128	(79,104)
On-Site Sewage/Alternative	-	1,700	1,700
Private Wells	193,979	150,217	(43,762)
Public Water Supply - Other	-	2,770	2,770
Type II Water Supply	52,421	43,012	(9,409)
Bioterrorism - Focus A	180,893	189,334	8,441
Public Swimming Pools	-	1,158	1,158
Campgrounds	-	2,981	2,981
Vacant Land Development	-	54,170	54,170
Subdivisions	-	23,965	23,965
IMMS - General	91,133	86,055	(5,078)
IMMS - IAP	17,045	19,478	2,433
Immunizations - vaccines	-	113,917	113,917 *
HIV/Aids Prevention	1,250	3,028	1,778
Tobacco Coalition	22,385	22,385	-
Vision	20,390	25,065	4,675
Crippled Children	39,919	42,690	2,771
Hearing	23,831	27,524	3,693
Maternal Support Services	209,779	217,290	7,511
Infant Support Services	104,240	111,609	7,369
Health Futures	-	7,709	7,709
Family Planning	152,992	139,024	(13,968)
EPSDT Outreach	36,041	21,814	(14,227)
Medicaid Outreach	17,928	23,240	5,312
GTRHCC	2,100	2,100	-
WIC	120,276	121,419	1,143
Migrant WIC	25,239	23,397	(1,842)
General Public Health Nursing	21,861	21,559	(302)
BSSC - Clinic	35,715	38,884	3,169
District Dental Services	8,116	10,487	2,371
Benzie Community Resource Center	-	163,534	163,534
Leelanau Resource Center	-	63,129	63,129
	<u>\$ 1,858,204</u>	<u>\$ 2,208,318</u>	<u>\$ 350,114</u>

\* The value of vaccines received have been included in the actual amounts of the financial statements; however, the value of these vaccines was budgeted.



# Benzie/Leelanau District Health Department

## General Fund Statement of Expenditures, By Program Budget and Actual For the Year Ended September 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
General Administration	\$ 22,835	\$ 18,779	\$ 4,056
Environmental Health	13,124	141,139	(128,015)
Food Service	136,956	112,378	24,578
On-Site Sewage	313,655	250,963	62,692
Private Wells	204,506	158,470	46,036
Type II Water Supply	52,586	43,012	9,574
Bioterrorism - Focus G	-	8,037	(8,037)
Bioterrorism - Focus F	-	4,949	(4,949)
Bioterrorism - Focus E	-	43,505	(43,505)
Bioterrorism - Focus B	-	5,879	(5,879)
Bioterrorism - Focus Area A	181,311	126,648	54,663
Communicable Disease	-	166	(166)
IMMS - General	91,293	83,724	7,569
IMMS - IAP	17,390	19,415	(2,025)
Immunizations - vaccines	-	113,917	(113,917) *
HIV/AIDS Prevention	1,250	3,028	(1,778)
Tobacco Coalition	22,385	22,385	-
Vision	20,875	25,065	(4,190)
Crippled Children	39,957	37,765	2,192
Hearing	24,118	27,524	(3,406)
Maternal Support Services	209,956	189,524	20,432
Infant Support Services	104,516	104,767	(251)
Health Futures	-	20,175	(20,175)
Family Planning	153,292	139,024	14,268
EPSDT Outreach	36,107	17,151	18,956
Medicaid Outreach	17,974	6,652	11,322
GTRHCC	5,231	5,657	(426)
WIC	121,006	121,419	(413)
Migrant WIC	25,304	23,397	1,907
General Public Health Nursing	22,071	21,559	512
BCCS - Clinic	35,777	38,038	(2,261)
District Dental Services	8,116	10,487	(2,371)
Family Health Administration	600	-	600
Benzie Community Resource Center	-	163,534	(163,534)
Leelanau Resource Center	-	63,129	(63,129)
TOTAL EXPENDITURES	\$ 1,882,191	\$ 2,171,261	\$ (289,070)

**Benzie/Leelanau District Health Department****Administrative Programs  
Statement of Revenues and Expenditures  
Budget and Actual  
For the Year Ended September 30, 2005**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Interest on Deposits	\$ 7,925	\$ 5,245	\$ (2,680)
Rents Collected	-	226,578	226,578
Miscellaneous Revenues	13,587	13,938	351
Total Revenues	21,512	245,761	224,249
EXPENDITURES:			
Salaries	88,566	91,993	(3,427)
Fringe Benefits	32,760	33,701	(941)
Supplies and Materials	10,250	16,021	(5,771)
Consultant Services	4,000	4,000	-
Contractual Services	11,984	10,133	1,851
Communications	1,037	20,844	(19,807)
Travel	2,800	2,652	148
Space Costs	15,030	183,356	(168,326)
Capital Outlay	10,000	9,686	314
Other Expenditures	45,059	55,434	(10,375)
Total Expenditures	221,486	427,820	(206,334)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (199,974)	\$ (182,059)	\$ 17,915

**Benzie/Leelanau District Health Department****Environmental Health Programs  
Statement of Revenues and Expenditures  
Budget and Actual  
For the Year Ended September 30, 2005**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and Collections	\$ 384,729	\$ 391,671	\$ 6,942
State Funding	256,155	258,522	2,367
Local Funds	63,775	43,448	(20,327)
Miscellaneous Revenues	900	908	8
Total Revenues	705,559	694,549	(11,010)
EXPENDITURES:			
Salaries	394,134	391,938	2,196
Fringe Benefits	138,208	136,059	2,149
Supplies and Materials	17,800	14,223	3,577
Contractual Services	18,172	22,824	(4,652)
Communications	8,002	5,237	2,765
Travel	28,169	30,085	(1,916)
Space Costs	29,354	25,470	3,884
Other Expenditures	380	465	(85)
Total Expenditures	634,219	626,301	7,918
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 71,340	\$ 68,248	\$ (3,092)

**Benzie/Leelanau District Health Department****Public Health Programs  
Statement of Revenues and Expenditures  
Budget and Actual  
For the Year Ended September 30, 2005**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and Collections	\$ 188,416	\$ 198,572	\$ 10,156
Federal Funding	128,950	219,653	90,703
State Funding	450,794	462,798	12,004
Local Funds	351,943	374,484	22,541
Miscellaneous Revenues	11,030	12,501	1,471
Total Revenues	1,131,133	1,268,008	136,875
EXPENDITURES:			
Salaries	506,877	510,232	(3,355)
Fringe Benefits	177,861	175,962	1,899
Supplies and Materials	94,320	174,910	(80,590)
Consultant Services	360	828	(468)
Contractual Services	46,986	40,255	6,731
Communications	19,352	16,371	2,981
Travel	42,631	45,641	(3,010)
Space Costs	110,714	99,520	11,194
Other Expenditures	27,385	22,542	4,843
Capital Outlay	-	30,879	(30,879)
Total Expenditures	1,026,486	1,117,140	(90,654)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 104,647	\$ 150,868	\$ 46,221

# Reports on Compliance

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Health  
Benzie/Leelanau District Health Department  
Benzonia, Michigan 49616

We have audited the financial statements of the governmental activities and major fund of the Benzie/Leelanau District Health Department (a component unit of Benzie County, Michigan), as of and for the year ended September 30, 2005, which collectively comprise the Benzie/Leelanau District Health Department's basic financial statements and have issued our report thereon, dated December 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Benzie/Leelanau District Health Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Benzie/Leelanau District Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which we described in the accompanying schedule of findings and responses as item 2005-1.

### **Conclusion**

This report is intended solely for the information and use of the Board of Health, management and federal awarding agencies, pass-through entities and others within the organizations. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

December 14, 2005

NONCOMPLIANCE WITH STATE STATUTES

Expenditures in Excess of Appropriations—Budgetary Funds

*Finding 2005-1*

*Condition/Criteria:* Public Act 621 of 1978, Section 18, (1) as amended, provided that a government shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Health Department's actual expenditures and budgeted expenditures for the General Fund has been shown on a functional basis. The approved budget of the Health Department for this fund was adopted on an activity and/or program level. During the year ended September 30, 2005 the Health Department incurred functional expenditures which were in excess of the amounts appropriated as shown within Note N in the basic financial statements.

*Effect:* The Health Department is not in compliance with State law.

*Cause:* Failure to amend the budgets during the year based on the level of expenditures.

*Recommendation:* The Health Department should strictly control expenditures so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

*Management's Response—Corrective Action Plan:* The budget will be more closely monitored and budget amendments will be made accordingly.





**ANDERSON, TACKMAN & COMPANY, PLC**  
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**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT TO MANAGEMENT**

Members of the Board of Health  
Benzie/Leelanau District Health Department  
Benzonia, Michigan 49616

We have audited the component unit financial statements of the Benzie/Leelanau District Health Department for the year ended September 30, 2005, and have issued our reports thereon dated December 14, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts including fraud and defalcations may exist and not be detected by us.

As part of our audit, we considered the internal control of the Benzie/Leelanau District Health Department. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Benzie/Leelanau District Health Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Benzie/Leelanau District Health Department are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005. We noted no transactions entered into by the Benzie/Leelanau District Health Department during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing these historical data provided by management and using this data to compute the estimates.

The allowance for uncollectible accounts receivable is an estimate. It was calculated based on historical collection results. Useful lives of fixed assets are estimated by management.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Benzie/Leelanau District Health Department's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgement, none of the adjustments we proposed, whether recorded or unrecorded by Benzie/Leelanau District Health Department, either individually or in the aggregate, indicate matters that could have a significant effect on the Benzie/Leelanau District Health Department's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Benzie/Leelanau District Health Department or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Benzie/Leelanau District Health Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **Comments and Recommendations**

#### **Capitalization Policy**

The Department should consider increasing its individual asset capitalization amount. Most organizations comparable to the Department are using \$5,000.

#### **Board Minutes**

While reviewing board minutes we did not notice approval of capital assets purchased. We recommend that such transactions be approved by the board prior to completion of purchase.

### **Conclusion**

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This information is intended solely for the information and use of management, the Board of Health, state awarding agencies, pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

December 14, 2005